

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION BY THE PUBLIC SERVICE	)	
COMMISSION OF THE ENVIRONMENTAL SURCHARGE	)	
MECHANISM OF LOUISVILLE GAS AND ELECTRIC	)	CASE NO. 97-010
COMPANY AS BILLED FROM MAY 1, 1996 TO	)	
OCTOBER 31, 1996	)	

O R D E R

On April 6, 1995, the Commission approved Louisville Gas and Electric Company's ("LG&E") environmental surcharge application and established a surcharge mechanism.<sup>1</sup> Pursuant to KRS 278.183(3), at six-month intervals, the Commission must review the past operations of the environmental surcharge. After hearing, the Commission may, by temporary adjustment in the surcharge, disallow any surcharge amounts found not to be just and reasonable and reconcile past surcharges with actual costs recoverable pursuant to KRS 278.183(1). The Commission hereby initiates the six-month review of LG&E's environmental surcharge as billed from May 1, 1996 to October 31, 1996.<sup>2</sup>

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<sup>1</sup> Case No. 94-332, The Application of Louisville Gas and Electric Company for Approval of Compliance Plan and to Assess a Surcharge Pursuant to KRS 278.183 to Recover Costs of Compliance with Environmental Requirements for Coal Combustion Wastes and By-Products, final Order dated April 6, 1995.

<sup>2</sup> Since LG&E's surcharge is billed on a two-month lag, the amounts billed from May 1996 through October 1996 are based on costs incurred from March 1996 through August 1996.

In anticipation that those parties to LG&E's last six-month review will desire to participate in this proceeding, the Attorney General's Office ("AG") and the Kentucky Industrial Utility Customers ("KIUC") will be deemed parties to this proceeding.

IT IS THEREFORE ORDERED that:

1. The procedural schedule set forth in Appendix A, attached hereto and incorporated herein, shall be followed in this proceeding.

2. LG&E shall appear at the Commission's offices on the date set forth in Appendix A, to submit itself to examination on the application of its environmental surcharge as billed to consumers from May 1, 1996 through October 31, 1996.

3. LG&E shall give notice of the hearing in accordance with the provisions of 807 KAR 5:011, Section 8(5). At the time publication is requested, LG&E shall forward a duplicate of the notice and request to the Commission.

4. LG&E shall, by the date set forth in Appendix A, file the information requested in Appendix B, attached hereto and incorporated herein, along with its prepared direct testimony in support of the reasonableness of the application of its environmental surcharge mechanism during the review period.

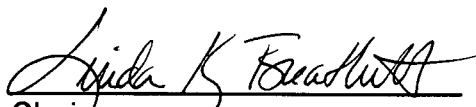
5. All requests for information and responses thereto shall be appropriately indexed. All responses shall include the name of the witness who will be responsible for responding to questions related to the information, with copies to all parties of record and an original and 10 copies to the Commission.

6. The AG and KIUC are granted full intervention in this proceeding.

7. LG&E's monthly environmental surcharge reports and supporting data for the review period shall be incorporated by reference into the record of this case.

Done at Frankfort, Kentucky, this 16th day of January, 1997.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

  
Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 97-010 DATED 1/16/97

LG&E shall file its prepared direct testimony and responses to the  
information request in Appendix B no later than ..... 01/29/97

All additional requests for information to LG&E shall be filed  
no later than ..... 02/12/97

LG&E shall file responses to additional requests for information  
no later than ..... 02/24/97

Intervenor testimony, if any, in verified prepared form shall be  
filed no later than ..... 03/10/97

All requests for information to Intervenors shall be filed  
no later than ..... 03/21/97

Intervenors shall file responses to requests for information  
no later than ..... 03/31/97

Last day for LG&E to publish notice of hearing date ..... 04/04/97

Public Hearing is to begin at 10:00 a.m., Eastern Daylight Time,  
in Hearing Room 1 of the Commission's offices at 730 Schenkel  
Lane, Frankfort, Kentucky, for the purpose of cross-examination  
of witnesses of LG&E and Intervenors ..... 04/11/97

Briefs, if any, shall be filed by ..... 05/12/97

## APPENDIX B

### APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 97-010 DATED 1/16/97

#### INITIAL INFORMATION REQUEST

1. Prepare ES Forms 4.0, 4.1, and 4.2 as identified in Appendix B to the April 6, 1995 Order in Case No. 94-332, reflecting the format modifications ordered in Case No. 96-290, for the billing period May 1996 through October 1996. The amounts reported on these forms should reflect the Commission's decisions announced in prior six-month environmental surcharge reviews. Include any supporting workpapers, assumptions, or other documents as necessary.

2. For each month in the billing period May 1996 through October 1996, provide the calculations, assumptions, workpapers, and other supporting documents used to determine the amounts LG&E has reported for Pollution Control Deferred Income Taxes.

3. Refer to ES Form 2.2, Plant, CWIP, and Depreciation Expense, for August 1996.

a. For each project listed, indicate the percentage of completion as of August 31, 1996.

b. For each project still in progress as of August 31, 1996, indicate whether the project was on schedule, behind schedule, or ahead of schedule. Provide the expected completion date if different from information filed in the Case No. 94-332 application.

4. In its April 6, 1995 Order, the Commission required LG&E to deduct \$12,588,441 from eligible pollution control plant in service and \$3,095,533 in

accumulated depreciation. These amounts represented environmental compliance plant in service retired or to be retired due to the implementation of LG&E's compliance plan. The retirements constituted costs already included in existing rates.

a. During the review period, has LG&E experienced any additional retirements of environmental compliance plant in service?

b. If yes to part (a), provide the following information:

- (1) The month of the retirement.
- (2) The amount of plant in service retired.
- (3) The amount of accumulated depreciation associated with the plant retired.
- (4) The amount of associated pollution control deferred income taxes.
- (5) The amount of associated pollution control deferred investment tax credits.
- (6) The annual amount of depreciation expense, taxes, and insurance related to the retirement.
- (7) The project in the approved compliance plan which resulted in the retirement.

5. During the review period, LG&E has included \$416,165 in permitting fees in its surcharge calculations. Provide a schedule identifying the agencies paid the permitting fees.

6. The permitting fees reported for the August 1996 expense month were \$52,196. During the other months of the review period, permitting fees were approximately \$72,790 per month. Explain why the August permitting fees were lower.